

JOURNAL OF THE ASSEMBLY (May 6, 1974)

STATE OF WISCONSIN

Assembly Journal

Eighty-First Regular Session

MONDAY, May 6, 1974.

The chief clerk makes the following entries under the above date:

EXECUTIVE COMMUNICATIONS

State of Wisconsin
Office of the Governor
Madison 53702

To the Honorable, the Assembly:

The following bills, originating in the assembly, have been approved, signed and deposited in the office of the Secretary of State:

Assembly Bill	Chapter No.	Date Approved
559 -----	201 -----	April 29, 1974
925 -----	202 -----	April 29, 1974
1308 -----	203 -----	April 29, 1974
553 -----	205 -----	April 29, 1974
883 -----	206 -----	April 29, 1974
1478 -----	207 -----	April 29, 1974
1387 -----	208 -----	May 2, 1974
(Partial Veto)		
1408 -----	209 -----	May 2, 1974
241 -----	210 -----	May 2, 1974
511 -----	211 -----	May 2, 1974
836 -----	212 -----	May 2, 1974
876 -----	213 -----	May 2, 1974
1237 -----	214 -----	May 2, 1974
1076 -----	217 -----	May 3, 1974

Sincerely,
PATRICK J. LUCEY,
Governor.

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COMMUNICATION

State of Wisconsin
Department of State
Madison 53702

To Whom It May Concern:

Dear Sir: Acts, joint resolutions and resolutions, deposited in this office, have been numbered and published as follows:

Bill, Jt. Res. or Res. No.	Chapter No.	Publication date
Assembly Bill 1045 -----	190 -----	April 29, 1974
Assembly Bill 850 -----	199 -----	April 30, 1974
Assembly Bill 981 -----	200 -----	April 30, 1974
Assembly Bill 1478 -----	207 -----	May 2, 1974

Respectfully submitted,
ROBERT C. ZIMMERMAN,
Secretary of State.

GOVERNOR'S VETO MESSAGES

May 2, 1974

To the Honorable, the Members of the Assembly:

I have approved Assembly Bill 1387 as Chapter 208, Laws of 1973, and deposited it in the office of the Secretary of State.

It has been said of this bill that it does more for veterans than any other bill passed by the Legislature in the last 25 years. It is a good bill for veterans. Today conventional insured home loans with a 5% downpayment are being made at an interest rate of 9-3/4%. Comparable loans under the new first mortgage program can be made at 7%. The savings to a veteran borrowing \$25,000 for 30 years at 7% rather than 9-3/4% is about \$580 a year, or \$17,400 over the life of the loan.

This is also a good bill for the economy of the State, providing as it does up to 140 million new dollars to finance the construction and purchase of homes. Among the statistical indications of a downturn in the national economy is the decline in new housing starts. With this bill Wisconsin goes on record as a leader in combatting this disturbing trend.

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This bill also inaugurates a very desirable policy by providing a new and better home loan program for veterans using the State's borrowing power rather than hard pressed general purpose revenues.

I am determined that we realize the best this bill has to offer. With this goal in mind, I have exercised certain partial vetoes to insure that the first mortgage program will be as attractive as possible to veterans. To be attractive, first mortgages should be made available as soon as possible at as low an interest rate as can be obtained.

Section 18 of the bill provides that implementation of the first mortgage program be delayed for 90 days. I believe State government can move faster than this. Therefore, I have exercised the partial veto to modify Section 18 so that the bill will take effect immediately after publication. I am also urging the Department of Veterans Affairs and the Housing Finance Authority to begin immediately to plan and carry into effect the first bond issue necessary to fund veterans home mortgages under the bill.

During the debate of this bill and in public discussion, it has been said that the bill would allow for funding veterans' programs other than the first mortgage home loan program by providing an add-on to the interest rate to be charged veterans electing the first mortgage program. In my review of the bill, I find it does not in any way authorize the funding of other veterans' programs through such a mechanism. Furthermore, I do not believe it is wise to fund other programs by making veterans' home loans more costly. This view is shared by a number of veterans groups and particularly the American Legion.

In addition, it appears that the veterans trust fund presently has enough funds to cover all grant programs. Additional funding for the second mortgage housing loan program is provided by the bill itself. And it appears that by next fall the present restrictions on veterans' economic assistance loans will be eased and adequate funds for such loans will be available. Moreover, interest earned on the veterans housing loan fund not required for purposes related to the first mortgage program can be paid into the veterans trust fund.

My review of the bill discloses that a surplus could be accumulated in the veterans housing bond redemption fund. Although that surplus is ultimately to be paid over to the veterans trust fund, I am advised that such surplus will not be available to the veterans trust fund until after repayment of the long-term bonds issued to fund the first mortgage program.

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Since this surplus cannot be paid out of the bond redemption fund until the last bond is repaid 30 or more years from now, it would be intolerable to increase the cost of home loans to veterans now to build up a surplus for ultimate transfer to the veterans trust fund. To avoid any uncertainty and to insure that those veterans using the first mortgage program will not pay more interest than necessary, I was strongly inclined to veto Section 234.43(2)(e) to remove the provision allowing for payment of the surplus in the bond redemption fund into the veterans trust fund. However, that veto would have jeopardized the tax exempt status of the bonds which will provide funds for the first mortgage program. Therefore, I have withheld this veto but I have removed language from Section 45.79(4)(b) to remove all uncertainty concerning the use of add-on interest. I will direct the Department of Veterans Affairs not to use its discretion to add-on to the interest cost of first mortgages for the purpose of creating a surplus in the bond redemption fund.

I have, however, exercised the partial veto to eliminate that language in Sections 45.79(4)(a) 1, 45.79(5)(c), and 234.43(1) which would have allowed administrative costs to be made a part of the interest rate charged on first mortgage loans. There is approximately \$750,000 in the budget of the Department of Veterans Affairs earmarked for administrative expense. In addition, the bill itself provides for another \$136,400 for administration of both the first and second mortgage programs. Thus, the costs of administration of the program are well provided for and no additional expense for administration need be passed along to veterans at this time.

The bill provides that the interest rate charged on veterans' home loans shall not exceed the 1.25% plus the rate necessary to fully repay the interest on the bonds issued to provide the funds for first mortgage loans. My partial vetoes have removed any authority to add administrative costs to the cost of first mortgage loans. And, the bill does not authorize the funding of other veterans' programs by use of an interest add-on to the first mortgage program. Therefore, the interest rate charged veterans under the first mortgage program may include only the interest rate on the bonds issued to fund the program, the servicing costs charged by authorized lenders making loans to veterans and those costs incurred by the Housing Finance Authority for issue of the bonds.

The partial vetoes guarantee that the lowest possible interest rate will be charged to the veterans taking advantage of the first mortgage program. The interest cost should not have to exceed 0.5%

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more than the cost of the bonds issued to fund the program. Under present market conditions, this means that we probably will be able to provide first mortgage loans at a rate of about 7%. Under these same conditions, such loans could cost the veterans 7-3/4% if the full 1.25% were added to the cost of the bonds. The savings to a veteran borrowing \$25,000 for 30 years at 7% rather than 7-3/4% is more than \$150 a year, or more than \$4,600 over the life of the loan.

I have also exercised partial vetoes to preserve the constitutional integrity of the bill. It is constitutionally necessary that the Housing Finance Authority be distant from and independent of agencies of the State. In Sections 45.72(3), 45.72(5), 45.72(6), 45.72(7), 45.72(9), 45.79(2)(c), 45.79(5)(a) 2, 45.79(5)(a) 3, 45.79(5)(a) 4, 45.79(5)(a) 8, 234.40(1), 234.40(3), and 234.41(2), there is language which gives the Department of Veterans Affairs direct authority over the actions of the Housing Finance Authority. Such language will jeopardize the constitutionality of the bill under previous rulings of the Supreme Court and particularly State ex rel. Warren v. Nusbaum, 59 Wis. 2d 391, 208 N.W. 2d 780 (1973). Therefore, I have removed this language, but in doing so, I am nevertheless confident that the Department of Veterans Affairs and the Housing Finance Authority will cooperate fully to provide a successful first mortgage home loan program for veterans.

Section 45.74(1)(b) provides for automatic adjustment of the maximum income limit determining eligibility for the program. Your legislative intent as expressed in the bill is to provide funds for loans for purchase or construction of private housing for families of veterans of modest means. While inflation undoubtedly will continue to increase the dollar definition of "modest means", the automatic provision providing for increase of maximum income limit should be reconsidered by the Legislature. Increases in the maximum income limit under the bill would be dictated by increases in the home ownership consumer price index for the entire United States. This index is not reflective of conditions in Wisconsin. For example, the change in the index for the entire United States was 9% between February 1973, and February 1974, while the change in that index for Milwaukee during the same period was only 5.4%.

The first mortgage program is basically for veterans of modest means and to insure that it is used for this purpose, it is necessary to have a carefully-defined maximum income limit. My partial veto of the automatic adjustment factor will allow the Legislature to reconsider this issue after the program has been in place and we

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have had some experience upon which to make judgements with respect to eligibility. In the meantime, the veto leaves the maximum income limitation fixed at \$18,000 which should be liberal enough to insure wide use of the program.

Finally, and at the suggestion of the Department of Veterans Affairs, I have exercised a partial veto to clarify the appropriation provided under Section 16g of the bill for the second mortgage program. That appropriation was intended to continue the second mortgage program during the present biennium and, therefore, the language seemingly limiting the appropriation to 1973-74 has been removed.

Sincerely,

PATRICK J. LUCEY,

Governor.